

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-909

December 7, 2000

CONSUMERS MAINE WATER COMPANY
Request for Approval of Reorganization
and Reduction in Capital (§708 & §910)

ORDER APPROVING
REORGANIZATION AND
REDUCTION IN CAPITAL

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

On November 3, 2000, Consumers Maine Water Company (CWMC or the Company) filed a request for Commission approval of a reorganization and reduction in capital. This Order approves the Company's request.

II. BACKGROUND & DECISION

CMWC currently has 199,553 common shares outstanding, of which all but 2,204 shares (1.1% of the total) are held by its parent company, Consumers Water Company. On October 2, 2000, CMWC's Board of Directors voted to repurchase and retire the 2,204 common shares not currently owned by its parent company. The Company determined that such action would nominally reduce administrative expenses and would also streamline both the maintenance of shareholder records and the process of making dividend payments. The repurchase would be made at a price equal to CMWC's book value of \$63.85 per share on September 30, 2000, for a total of \$140,725.

Two facets of the proposed transaction require our approval. First, the ownership percentage held by CMWC's parent, Consumers Water Company, would increase from 98.9% to 100%. Under 35-A M.R.S.A. § 708 (1)(A), the extension of the parent company's ownership percentage technically qualifies as a reorganization. Second, the repurchase and retirement of CMWC's common shares result in a decrease in capital, which requires our approval under § 910 (1)(A).

We do not find that the proposed reorganization would be adverse to the public interest because there would be no actual change in the controlling interest of the Company. The proposed reduction in capital does not result in the Company disinvesting its utility system or increasing its financial risk and therefore its cost of capital. Nor does the proposed reduction in common equity capital cause the Company's common equity ratio to decrease below what we consider to be reasonable and customary in the water utility industry. This is an issue we recently considered in the rate cases involving CMWC's Camden/Rockland and Millinocket divisions, in which

we allowed the Company a common equity ratio of 49.7% (Docket No. 2000-96, *Consumers Maine Water Company – Millinocket Proposed Rate Change* and Docket No. 2000-175, *Consumers Maine Water Company – Camden/Rockland Proposed Rate Change*, Part II Order at pp. 31-32). CMWC represents that immediately following the repurchase, its actual common equity ratio will be above this level at 50.6% and therefore its financial risk profile will remain consistent with our decision in the recent rate cases.

In approving this request, the Commission does not imply approval of the Company's current or projected capital structure or its current or projected cost of capital for ratemaking purposes. Furthermore, this Order does not limit or restrict the powers of the Commission in determining a capital structure or cost rate in future proceedings.

Accordingly, we

ORDER

1. That Consumers Maine Water Company is authorized to repurchase and retire 2,204 of its common shares at a price equal to \$63.85, which was the Company's book value per share as of September 30, 2000.
2. That the Company report its actions pursuant to this Order to the Commission within 60 days of the closing of the transaction.
3. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 7th day of December, 2000.

BY ORDER OF THE COMMISSION

Dennis Keschl
Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.